

CalPERS Board of Administration

Audit Plan

Fiscal Years 2006-07 and 2007-08



Office of Audit Services
June 2006

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■ ■ ■ INTERNAL AUDITING ■ ■ ■

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

ACTUARIAL OFFICE

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
PERF reserve reconciliation	500			
Actuarial valuation services – finalize prior year review	100			
Public agency contract amendment cost analysis process			550	

BENEFIT SERVICES DIVISION

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
Refunds	475			
Disability retirement			600	
Service retirement			525	
Financial Integrity and State Manager's Accountability (SAM 20060)	(included in OFAS' hours)		(included in OFAS' hours)	
Public agency member earnings and contributions reported to CalPERS and examine agency payroll records and payroll reporting process	(included in OFAS' hours)		(included in OFAS' hours)	

CUSTOMER SERVICE AND EDUCATION DIVISION

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
Customer service – call center	500			

ENTERPRISE COMPLIANCE

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
Investment monitoring			400	

EMPLOYER AND MEMBER HEALTH SERVICES

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
Retroactive deletions	600			
Enrollment for retirees and maintenance of State retiree dental	500			
Medicare Part D			700	
Appeals and grievances			650	
Management of public agency resolutions			650	
Public agency member eligibility for health benefits	(included in OFAS' hours)		(included in OFAS' hours)	

EMPLOYER SERVICES DIVISION

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
Employer payroll reporting	400			
Membership enrollment			500	
Public agency member earnings and contributions reported to CalPERS, examine agency payroll records and payroll reporting process, and access and security controls for ACES	(included in OFAS' hours)		(included in OFAS' hours)	

FISCAL SERVICES DIVISION

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
Enterprise Management of Billing, Accounts Receivables and Collections (EMBARC)	600			
Investment accounting reconciliation assistance	1,125			
General ledger accounting system (GLAS)	500			
Review and analyze CalPERS financial statements	200		200	
Coordinate annual CalPERS financial statements	150		150	
Coordinate management letter from external auditor related to the financial statement audit	50		50	
Investment accounts not on PAM			600	
Prime broker			600	
Investment accounting			500	
Contract audit – annual financial statement audit/other attestation		\$ 297,050		Amount TBD
Financial Integrity and State Manager's Accountability (SAM 20060)	(included in OFAS' hours)		(included in OFAS' hours)	

HEADQUARTERS EXPANSION PROJECT

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
Contract audit – headquarters expansion project – consulting services		\$ 47,323		

HUMAN RESOURCES DIVISION

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
Financial Integrity and State Manager's Accountability (SAM 20060)	(included in OFAS' hours)		(included in OFAS' hours)	

INVESTMENT OFFICE

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
State Street Bank - client specific	600			
RFP for real estate pool	300			
Alternative investment management external partner – finalize prior year review	50			
Alternative investment management external partner	500		500	
Global public markets external manager reviews	500		500	
Coordinate contract real estate compliance audits	400		400	
Monitor and resolve real estate compliance audit findings to report to the Board of Administration	300		400	
Active equities			500	
Asset allocation			500	
Real estate investments			500	
Securities lending IT applications			500	
Contract audit – real estate compliance audits		\$ 727,833		Amount TBD
Financial Integrity and State Manager's Accountability (SAM 20060)	(included in OFAS' hours)		(included in OFAS' hours)	

INNOVATION SERVICES DIVISION

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
Release management	500			
System architecture management	500			
Financial Integrity and State Manager's Accountability (SAM 20060)	(included in OFAS' hours)		(included in OFAS' hours)	

INFORMATION SECURITY OFFICE

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
Technical safeguards of electronic confidential information	600			
Information Security Committee	120		120	
Password practices			600	
Physical safeguards of information assets/facility management			600	
IT security risk analysis and management (SAM 4842)			300	
Financial Integrity and State Manager's Accountability (SAM 20060)	(included in OFAS' hours)		(included in OFAS' hours)	

MEMBER SERVICES DIVISION

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
Annual member statement processes	400			
Alternate retirement plan and service credit election			500	
Retirement estimates			500	
Public agency member earnings and contributions reported to CalPERS and examine agency payroll records and payroll reporting process	(included in OFAS' hours)		(included in OFAS' hours)	

OFFICE OF AUDIT SERVICES

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
<i>Public Agency Audits (14,650 hours in 2006-07; 14,450 hours in 2007-08)</i>				
Audit of 40 contracting public agencies, schools, and district agricultural associations, 4 state agencies, and 3 CSUs to ensure compliance with California Government Code and California Code of Regulations	14,000		14,000	
Public agency web site initiative	300		100	
Public agency special projects	200		200	
Public agency risk assessment	150		150	
<i>Multi-Divisional Projects (10,100 hours in 2006-07; 8,000 hours in 2007-08)</i>				
Management consulting projects	4,000		4,000	
Financial Integrity and State Manager's Accountability (SAM 20060)	3,000		500	
Pension System Resumption (PSR) project	1,200		1,500	
Enterprise-wide risk assessment and biennial audit plan	600		600	
Monitor and resolve audit findings to report to the Board of Administration	600		600	
Contracts business process re-engineering	500			
Quarterly status report to the Board of Administration	200		200	
Continuous monitoring initiative			600	

OFFICE OF AUDIT SERVICES

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
OFAS Internal Activities (2,375 hours in 2006-07; 1,700 hours in 2007-08)				
Quality assurance review	525			
Computer assisted audit techniques	200		200	
PC Contact	200		200	
Professional organizations	200		200	
TeamMate audit software facilitation	200		200	
Update OFAS policy and procedure manual	200		200	
Employee Involvement Team	150		150	
Update fraud policy	150			
Association of Public Pension Fund Auditors Best Practices Committee	150		150	
Review of contracts; prepare and consult on RFP's	100		100	
Review of exposure drafts of GASB, Institute of Internal Auditors, SEC, and other organizations	100		100	
United Way California State Employees Campaign	100		100	
Division legislative representative	50		50	
OFAS budget management	50		50	

OFFICE OF HEALTH PLAN ADMINISTRATION

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
Rate development process – self funded plans	550			
Coordinate Caremark audit	200			
Blue Cross claims review – finalize prior year review	100			
BlueCard program – finalize prior year review	50			
HMO performance and contract compliance	1,500		1,500	
Contract compliance of third-party administrator Blue Cross	800		800	
Pharmacy benefit manager contract compliance	500		500	
Contract compliance of Third-party administrator long term care	400		400	
Financial ratio analysis of HMOs	50		50	

OPERATIONS SUPPORT SERVICES DIVISION

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
Business continuity	500			
Board election management	180		180	
Business Recovery Advisory Committee	100		100	
Triennial review of contract activities and procurement process			600	
Central receiving			600	
Record management			500	
Financial Integrity and State Manager's Accountability (SAM 20060)	(included in OFAS' hours)		(included in OFAS' hours)	

SUPPLEMENTAL SAVINGS PROGRAM

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
Accounting and financial reporting for IRC 457 Plan	450			
Coordinate audit of Savings Plus deferred compensation program investment options managed by CalPERS	50		50	
Contract audit – annual audit of Savings Plus deferred compensation program investment options managed by CalPERS		(Amount included in contract for annual financial statement audit)		(Amount included in contract for annual financial statement audit)

TECHNOLOGY SERVICES SUPPORT DIVISION

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audits by contract in 2006-07</i>	<i>Audit Hours in 2007-08</i>	<i>Audits by contract in 2007-08</i>
Operational recovery planning (SAM 4843)	600			
Software management (SAM 4846)	250		250	
Configuration management			600	
Acquisition and maintenance of technology infrastructure			500	
Financial Integrity and State Manager's Accountability (SAM 20060)	(included in OFAS' hours)		(included in OFAS' hours)	

TOTAL HOURS BY DIVISION

<i>Division/Office of Audit Services Objectives</i>	<i>Audit Hours in 2006-07</i>	<i>Audit Hours in 2007-08</i>
Actuarial Office	600	550
Benefit Services Division	475	1,125
Customer Service and Education Division	500	
Enterprise Compliance		400
Employer and Member Health Services	1,100	2,000
Employer Services Division	400	500
Fiscal Services Division	2,625	2,100
Investment Office	2,650	3,800
Innovation Services Division	1,000	
Information Security Office	720	1,620
Member Services Division	400	1,000
Office of Audit Services	27,125	24,150
Office of Health Plan Administration	4,150	3,250
Operations Support Services Division	780	1,980
Supplemental Savings Program	500	50
Technology Services Support Division	850	1,350
Total	43,875	43,875

TOTAL HOURS BY AUDIT PROGRAM

<i>Staffing Resources by Program</i>	<i>Audit Hours in 2006-07</i>	<i>Audit Hours in 2007-08</i>
Assurance and Consulting Services	17,625	17,625
Information Systems Audits	6,000	6,000
Public Agency Audits	15,000	15,000
Health Plan Audits	5,250	5,250
Total ⁽¹⁾	43,875	43,875

⁽¹⁾ Total hours are adjusted to reflect vacations, leave, training, and other hours unavailable for audit activities.